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HO TACK SIEN & ORS

v.

ROTTA RESEARCH LABORATORIUM S.p.A & ANOR

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COURT OF APPEAL, PUTRAJAYA
ZAINUN ALI FCJ
ZAHARAH IBRAHIM JCA
ANANTHAM KASINATHER JCA
[CIVIL APPEAL NO: W-02-(NCC)-588-11]

C

22 AUGUST 2012

TRADE MARKS: *Infringement - Infringement of registered trade mark and passing off - Application to expunge mark from register - Whether court should not expunge mark without hearing evidence of Registrar of*

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Trade Marks - Whether Registrar's reason for registration of mark ought to be known - Whether expunction of mark precluded mark holder from producing other products within same class that bore no resemblance to competing trade mark - Trade Marks Act 1976, ss. 19(1)(b), 28, 38 & 62

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The first respondent was the manufacturer of a glucosamine sulphate based drug called Viartril-S used in the treatment of osteoarthritis. It had registered the Viartril-S trade mark ('the Viartril mark') in Malaysia under Class 5 in 1976. The second

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respondent was the first respondent's authorised distributor of Viartril-S in Malaysia. The first appellant ('Ho') and the second appellant ('Chai') were husband and wife and pharmacists. Ho had been in full-time employment and Chai, in part-time employment, with the second respondent during which time they had access to

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confidential information relating to its distribution network, customer lists, sales figures and marketing strategy of Viartril-S and the product's manufacturing process. Chai and her father-in-law set up the third appellant which dealt largely in the sale of pharmaceutical products. Since the year 2002, the third appellant

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became the registered owner of the Artril 250 trade mark ('the Artril mark'), also under Class 5, and it was the distributor and seller of that product. The respondents sued the appellants in the High Court for infringement of the Viartril mark and for passing off, contending that the Artril mark was similar to and/or bore a

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colourable and deceptive imitation of the Viartril mark and its get-up and created the belief that Artril 250 was the first

respondent's product. The respondents alleged Ho and Chai had wrongfully used confidential information belonging to the respondents to make, distribute and sell Artril 250 causing the respondents loss and damage and injury to their goodwill and reputation. The respondents sought to have the Artril mark expunged from the register under s. 19(1)(b) of the Trade Marks Act 1976 ('the Act'). That section precluded the registration of any mark which so nearly resembled another trade mark as was likely to deceive or cause confusion. In finding for the respondents both on the claims of infringement and passing off, the High Court ordered the Artril mark to be expunged from the register. The appellants appealed against the decision to the Court of Appeal.

Held (allowing appeal in part with costs to the respondents) Per Anantham Kasinather JCA (delivering the judgment of the court):

(1) The order to expunge the Artril mark ought not to have been made by the High Court without the benefit of the evidence of the Registrar of Trade Marks who should have been made a party or, at the least, have been summoned to give evidence pursuant to s. 62(1) of the Act. Since s. 62 was neither raised nor considered by the trial judge nor proper reasons given for the exercise of the court's discretion, that part of the trial judge's orders ordering the expunction of the Artril mark and the rectification of the register to remove the Artril mark ought to be set aside. (paras 25, 29 & 31)

(2) A court should not order expunction without the Registrar being heard as to why registration was ordered notwithstanding the likelihood of confusion and the general practice of the Registrar on such matters. The Viartril mark had been in existence since 1976 and in the interim other manufacturers and distributors had been distributing generic products similar to Viartril-S in Malaysia without any attempt by the first respondent to restrain them. Given that scenario there may very well have been public interest factors which could have caused the Registrar to register the Artril mark. It was also significant that although the application to register the Artril mark was filed after the filing of the instant action, yet, the respondent took no steps under s. 28 of the Act to oppose the registration. (para 28)

(3) The effect of the Artril mark being registered under Class 5 was that it enabled the appellants to manufacture and market any product which fell under Class 5, such as veterinary and sanitary preparations, etc, which bore no resemblance to Viartril-S. Accordingly, to expunge the Artril mark was tantamount to precluding the appellants from manufacturing other products within Class 5 which bore no resemblance to the Viartril mark. (para 27)

(4) The High Court had correctly held as proved misrepresentation on the appellants' part resulting in the business of the appellant and the respondent being identified together and that, as a result, the respondents had suffered loss and damage. (para 33)

Bahasa Malaysia *Translation Of Headnotes*

Responden pertama adalah pengeluar dadah berasaskan glucosamine sulphate yang dinamakan Viatril-S yang digunakan dalam rawatan osteoartritis. Ia telah mendaftarkan cap dagangan berdaftar Viartril-S ('cap Viatril') di Malaysia di bawah Kelas 5 dalam tahun 1976. Responden kedua merupakan pengedar sah responden pertama bagi Viartril-S di Malaysia. Perayu pertama ('Ho') dan perayu kedua ('Chai') adalah pasangan suami isteri dan ahli farmasi. Ho bekerja sepenuh masa dan Chai, bekerja separuh masa, dengan responden kedua yang pada masa tersebut mempunyai akses kepada maklumat sulit berkaitan dengan rangkaian pengedaran, senarai pelanggan, jumlah jualan dan strategi pemasaran bagi Viartril-S dan proses pengeluaran produk tersebut. Chai dan bapa mertuanya membentuk perayu ketiga yang secara amnya berkaitan dengan penjualan produk-produk farmasi. Semenjak tahun 2002, perayu ketiga menjadi pemilik berdaftar cap dagangan Artril 250 ('cap Artril'), juga di bawah Kelas 5, dan ia adalah pengedar dan penjual produk tersebut. Responden-responden menyaman perayu-perayu di Mahkamah Tinggi bagi pelanggaran cap Viartril dan bagi kelirupaan, sambil menghujah bahawa cap Artril adalah serupa dengan dan/atau mempunyai peniruan yang ketuha dan mengelirukan dengan cap Viartril dan rupanya dan membentuk andaian bahawa Artril 250 adalah produk responden pertama. Responden-responden mendakwa bahawa Ho dan Chai telah secara salah menggunakan maklumat sulit responden-responden untuk membuat, mengedar dan menjual Artril 250 menyebabkan responden-responden kerugian dan menjejaskan

nama baik dan reputasi mereka. Responden-responden memohon untuk membatalkan cap Artril daripada daftar di bawah s. 19(1)(b) Akta Cap Dagangan 1976 ('Akta'). Seksyen tersebut menghalang pendaftaran apa-apa cap yang serupa dengan cap dagangan lain yang berkemungkinan memperdaya atau menyebabkan kekeliruan. Dalam membuat keputusan memihak kepada responden-responden dalam kedua-dua tuntutan pelanggaran dan kelirupaan, Mahkamah Tinggi memerintahkan cap Artril dibatalkan daripada daftar. Perayu-perayu merayu terhadap keputusan Mahkamah Rayuan.

Diputuskan (membenarkan sebahagian rayuan dengan kos untuk responden-responden):
Oleh Anantham Kasinather HMR menyampaikan penghakiman mahkamah:

(1) Perintah untuk membatalkan cap Artril tidak sewajarnya dibuat oleh Mahkamah Tinggi tanpa mendengar keterangan Pendaftar Cap Dagangan yang sepatutnya dijadikan salah satu pihak atau, sekurang-kurangnya, disaman untuk memberi keterangan berikutan s. 62(1) Akta tersebut. Oleh sebab s. 62 tidak dibangkitkan dan tidak dipertimbangkan oleh hakim bicara dan juga tiada alasan yang munasabah diberikan bagi pelaksanaan budi bicara mahkamah, bahagian perintah hakim bicara yang memerintahkan pembatalan cap Artril dan pembetulan daftar untuk mengeluarkan cap Artril harus diketepikan.

(2) Mahkamah tidak sewajarnya memerintahkan pembatalan tanpa mendengar hujahan Pendaftar mengapa pendaftaran diperintahkan walaupun terdapat kemungkinan kekeliruan dan amalan am Pendaftar bagi perkara sedemikian. Cap Viartril telah wujud semenjak 1976 dan sementara itu pengeluar-pengeluar dan pengedar-pengedar lain telah mengedarkan produk generic yang serupa dengan Viartril-S di Malaysia tanpa apa-apa cubaan oleh responden pertama untuk menghalang mereka. Berdasarkan situasi tersebut sememangnya terdapat faktor-faktor kepentingan awam yang telah menyebabkan Pendaftar mendaftarkan cap Artril. Ia juga adalah ketara bahawa walaupun permohonan untuk mendaftarkan cap Artril telah difailkan selepas pemfailan tindakan ini, tetapi, responden tidak mengambil apa-apa langkah di bawah s. 28 Akta untuk membantah pendaftaran tersebut.

(3) Kesan cap Artril didaftarkan di bawah Kelas 5 adalah ia membolehkan perayu-perayu mengeluarkan dan memasarkan apa-apa produk yang terangkum dalam Kelas 5, seperti veterinar, penyediaan peralatan kebersihan dan lain-lain, yang tidak menyerupai Viartril-S. Dengan itu, untuk membatalkan cap Artril adalah seperti menghalang perayu-perayu daripada mengeluarkan produk-produk lain dalam Kelas 5 yang tidak mempunyai persamaan dengan cap Viartril.

(4) Mahkamah Tinggi telah dengan betul memutuskan pembuktian salah nyata oleh perayu-perayu yang menyebabkan perniagaan perayu dan responden dikenalpasti bersama dan bahawa, akibatnya, responden-responden mengalami kerugian dan kerosakan.

Case(s) referred to:

Consitex SA v. TCL Marketing Sdn Bhd [2008] 8 CLJ 444 HC ***(refd)***

HP Bulmer Ltd and Showerings Ltd v. J Bollinger SA and Champange Lanson Pere Et Fiuls [1978] RPC 79 ***(refd)***

Leo Pharmaceutical Products Ltd A/S v. Kotra Pharma (M) Sdn Bhd [2002] 6 CLJ 465 HC ***(refd)***

Malaysia National Insurance Sdn Bhd v. Malaysia Rubber Development Corp [1986] 2 CLJ 285; [1986] CLJ (Rep) 185 SC ***(refd)***

McCurry Restaurant (KL) Sdn Bhd v. McDonald Corporation [2009] 3 CLJ 540 CA ***(refd)***

Phantom Trade Mark [1978] RPC 245 ***(refd)***

Reckitt & Colman Products v. Borden Inc [1990] 1 All ER 873 ***(refd)***

Seet Chuan Seng & Anor v. Tee Yih Jia Food Manufacturing Pte Ltd [1994] 3 CLJ 7 SC ***(refd)***

Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co Ltd & Ors [2004] 3 CLJ 815 CA ***(refd)***

Tohtonku Sdn Bhd v. Superace (M) Sdn Bhd [1992] 2 CLJ 1153; [1992] 1 CLJ (Rep) 344 SC ***(refd)***

Legislation referred to:

Trade Marks Act 1976, ss. 19(1)(b), (3), 28, 36, 38(1), 40(1)(f), 45(1), 62(1)

For the appellants - Dato' Harpal Singh Grewal (Hoo Lincoln with him); M/s Lin Coln & Co)

For the 4th appellants - Annou Xavier; M/s Azri, Lee Swee Seng & Co

For the respondents - Suaran Singh; M/s Sekhar & Suaran

[Appeal from High Court, Kuala Lumpur; Suit No: D-22(IP)-2138-2001]

Reported by Ashok Kumar

JUDGMENT

Anantham Kasinather JCA:

Background Facts

[1] The 1st respondent is a company incorporated in Italy and is involved in the research, development and manufacturing of various pharmaceutical products. One of the products manufactured by it is a glucosamine sulphate based drug called Viartril-S used for the treatment of osteoarthritis. The 1st respondent's Viartril-S trademark was duly registered in Malaysia in Class 5 on 8 July 1976. The 1st respondent is the holder of the Product Licence for Viartril-S issued by the National Pharmaceutical Control Laboratory under the Ministry of Health, Malaysia. The product Viartril-S was registered with the Drug Control Authority (DCA), Ministry of Health on 12 July 1991.

[2] The 2nd respondent is a company incorporated in Malaysia and has since 1979 been the distributor appointed by the 1st respondent for the sale of Viartril-S in Malaysia. In Malaysia and in other South East Asian countries, the 1st respondent's product is distributed and sold under the trade name of Viartril-S. The 2nd respondent entered into a distribution agreement with the 1st respondent on 15 May 1979.

[3] The 1st appellant is a pharmacist and was first employed by Antah Sri Radin Sdn Bhd, a related company of the 2nd respondent on 2 March 1990. Until his dismissal by the 2nd respondent on 6 June 2001, the 1st appellant had held the positions of Sales Executive cum Pharmacist, Product Executive cum Pharmacist, Product Manager and Group Product Manager. As the Group Product Manager, the 1st appellant was required to oversee the product management and product registration of the 2nd respondent. One of the terms of his employment was that the 1st appellant would not either during or subsequent to his employment divulge any confidential information relating to the affairs of the 2nd respondent which had come to his knowledge. During his employment the 1st appellant was provided with or given access to confidential information by the 2nd respondent for the sole purpose of enabling him to better carry out his duties and functions.

[4] On 21 May 2001, the 2nd respondent issued a letter of suspension against the 1st appellant. In the said letter the 1st appellant was required to attend a domestic inquiry on 28 May 2001 for serious breaches of confidentiality of information and for acting in conflict of interest of the 2nd respondent. The 1st appellant was found guilty of the charges and he was dismissed from employment.

[5] The 2nd appellant is the wife of the 1st appellant and is the third party in this suit, having been added as a third party by the 4th appellant. The 2nd appellant is also a pharmacist and was engaged by the 2nd respondent on 15 April 1998 on a part-time basis to provide independent consultancy services on the registration of the 2nd respondent's products with the DCA. During her engagement, the 2nd appellant was also provided with or given access to confidential information by the 2nd respondent. On 21 May 2001, the 2nd appellant's services were terminated by the 2nd respondent. The 1st respondent contended that the 1st and 2nd appellants had utilised confidential information accessed during their tenure of employment in connection with the submission to the DCA by the third appellant to obtain the Product Licence for the 1st respondent's product. The submission to DCA contained detailed pharmaceutical data of Viartril-S including its manufacturing process. The 2nd respondent contended that the 1st and 2nd appellants, in particular the 1st appellant, had access to the database of its distribution network which included lists of customers, sales volumes and figures and generally, the marketing strategy of Viartril-S.

[6] The 3rd appellant is a company incorporated by the 2nd appellant together with the 1st appellant's father on 21 February 2001 with a paid up capital of RM50,000. The object of the 3rd appellant is to carry on business of chemists, druggists, pharmacists and dealers in all pharmaceutical, medicinal and orthopedic preparations. The 3rd appellant is the registered owner of the Artril 250 trademark which was registered under the Trade Marks Act 1976 (TM Act) under Class 5 on 10 September 2002 and is the distributor and seller of Artril 250.

[7] The 4th defendant (Hovid) in the original proceedings was the appointed contract manufacturer of Artril 250 for the 3rd appellant. The 5th appellant was and is the appointed distributor of Artril 250 produced by the 3rd appellant. The 6th appellant

was and is the appointed manufacturer of Artril 250 to replace the 4th defendant when the contract of the 4th defendant expired. The 6th appellant was incorporated by the 2nd appellant.

The Appellant's Case (1st, 2nd, 3rd And 6th)

[8] The appellants contend that the two products do not appear similar and do not cause any confusion or likely to cause confusion. The appellants deny any manner of infringement and/or passing-off of the respondent' product, trademark and trade name and refused to cease the manufacture, distribution and sale of Artril 250.

[9] On the first issue of infringement of trademark, counsel for the appellant contended that His Lordship's finding against the appellant was due to the application of the wrong principle of law. According to counsel His Lordship applying the principles of law enunciated in the case of *Leo Pharmaceutical Products Ltd A/S v. Kotra Pharma (M) Sdn Bhd* [2002] 6 CLJ 465 HC, resolved that one does not have to place the two products next to each other to determine if they are so similar as to lead to confusion. Counsel contended the proper test which ought to have been applied by His Lordship is the test propounded in the case of *Tohtonku Sdn Bhd v. Superace (M) Sdn Bhd* [1992] 2 CLJ 1153; [1992] 1 CLJ (Rep) 344 SC. According to counsel, this test required the court to consider the appearance of the two marks together with their features when placed next to each other. Learned counsel submitted that if His Lordship had applied this test, then, His Lordship would have come to a conclusion favourable to the appellants.

[10] On the second issue, counsel relying on the judgment of this court in the case of *McCurry Restaurant (KL) Sdn Bhd v. McDonald Corporation* [2009] 3 CLJ 540 CA, contended that a respondent in a passing-off action must prove that the appellant had misrepresented his goods as that of the respondent. Counsel submitted that:

> If one looks at the appellants' and the respondents' products by placing them next to each other, there is no element of misrepresentation at all.

Counsel contended that if the learned judge had regard to the totality of the circumstances, His Lordship would have come to the conclusion that there was no misrepresentation by the appellant that its goods were those of the respondent's. In this respect, counsel submitted that the learned judge in coming to the conclusion that members of the public were confused relied on the evidence of PW6. Learned counsel contended that the learned judge erred in relying on the evidence of PW6 as he did not purchase either product. Since PW6 was not called as an expert nor qualified to be an expert witness, his evidence ought to have been rejected by the learned trial judge. Learned counsel conceded that the appellant's counsel had not objected to the admissibility of PW6's evidence during the trial but relying on the authority of *Malaysia National Insurance Sdn Bhd v. Malaysia Rubber Development Corp* [1986] 2 CLJ 285; [1986] CLJ (Rep) 185 SC. Counsel contended that this court can still entertain the appellant's objection.

[11] On the issue of confidentiality, learned counsel for the appellant submitted that although the 1st appellant was charged with the theft of the respondents' intellectual property at a domestic enquiry, there was no evidence to support the charge. In other words, there was no justification for the finding of guilt against the 1st appellant at the hearing of the domestic enquiry. Learned counsel contended that the learned trial judge erred by not affording sufficient judicial appreciation of the evidence on the issue of theft of intellectual property.

The 4th Appellant's Case

[12] The 4th appellant was the distributor of Artril 250, having been appointed by the 3rd appellant. Hovid was the manufacturer of Artril 250 also appointed by the 3rd appellant. On the conclusion of the trial, the learned trial judge absolved hovid of any liability but found the 4th appellant liable. The principal submission of learned counsel for the 4th appellant was that there was no justification in law for the 4th appellant as the distributor to be liable when hovid as the manufacturer had been discharged of all liability. The second submission of learned counsel was that there was no evidence produced by the respondent throughout the course of the trial to prove that the 4th appellant had acted in a manner to cause confusion or misrepresentation to the

consumer/public at large. The final submission of counsel was that the respondents had failed to prove actual damage. Learned counsel for the 4th appellant referred to Q & A 84 of the evidence of PW1 wherein the witness had conceded that to counter the risk of losing market share, the respondents had resorted to promoting Viartril-S in a different manner so as to make clear to the public that this was the original product in the market and that this exercise was ongoing to minimize the confusion. This probably explains why, according to counsel, the respondent failed to produce any accounting statements to demonstrate the loss of profits purportedly suffered by it due to the emergence of Artril 250 in the market. Relying on the case of *HP Bulmer Ltd and Showerings Ltd v. J Bollinger SA and Champange Lanson Pere Et Fiuls* [1978] RPC 79, learned counsel submitted that proof of actual damage is an ingredient of the tort of passing-off and consequently the learned judge ought to have dismissed the respondent's claim upon its failure to prove actual loss.

The Respondent's Case

[13] The respondents' contended that the appellants are guilty of the torts of infringement and passing-off by their dishonest conduct which was intended or calculated to steal their business and to misappropriate their reputation and goodwill. The respondents contended that Viartril-S has been imported and distributed in Malaysia for more than 20 years as at the date of filing of the statement of claim in 2001. The box containing the bottle of Viartril-S consists of four rectangular sides with square top and bottom flaps. Each side of the box has a white background which appears at the top portion and a red background at the bottom portion. One of the sides has a diagram of a knee joint over the red background. The name Viartril-S appears on each side of the box over the white background whilst the 1st respondent's name appears over each of the red background beside a triangular symbol with a circle within the triangle and with the letter 'R' appearing within the circle. The top flap of the box appears only in red with the name Viartril-S together with the triangular symbol printed on it. The bottom flap is depicted in white. Viartril-S in the get-up described above was large and successful due to advertisements and promotions and that the mark Viartril-S had become known and distinctive resulting in the respondents acquiring proprietary rights to the

mark Viartril-S and the get-up with exclusive use in Malaysia. The respondents alleged that the 3rd, 5th and 6th appellants have manufactured, distributed, sold or offered to sell the product under the name of Artril 250 which is similar to and/or bears a colourable and deceptive imitation of the 1st respondent's trademark and get-up. The said product is contained in a bottle which is contained in a box similar to that of the 1st respondent's. The 3rd appellant's product is packaged in a similar rectangular box with a get-up based on the same red and white colour combination and carries a similar representation of the knee on one of its sides, with the name 'Advance Pharma' appearing on each of the other three sides. There is also a triangular symbol with the letter 'A' within it on each of the other three sides. The respondents complain that the sale of the product under the name and mark of Artril 250 by the 3rd appellant is an infringement of the 1st respondent's trademark and is calculated to lead to the belief that Artril 250 is the product of the 1st respondent and that the 3rd appellant is guilty of passing-off Artril 250 as Viartril-S.

[14] As regards the breaches of confidentiality of information and acting in conflict of interest, the respondents contended that the 1st appellant was found guilty at the domestic inquiry of leaking company secrets and being in a position of conflict of interest and as a result his employment was terminated on 6 June 2001. The respondents further contended that the 2nd appellant had wrongfully made use of the confidential information to which she had access. The respondents also contended that but for the disclosure of confidential information obtained by the 1st and 2nd appellants in breach of their terms of employment and of their obligations of secrecy and confidentiality, the 3rd appellant would not have been in a position to manufacture, distribute and sell its product and to register Artril 250 as its trademark. The respondents claim that by reason of the breaches by the appellants they have suffered loss and damage as well as injury to their goodwill and reputation.

Judgment Of The High Court

[15] On the first issue, the learned judge opined that the issue of infringement involved s. 38 of the Trade Marks Act ('TM Act') and the burden of proof to be on the respondents. His Lordship then identified the factors determining infringement to be those set out in the cases of *Tohtonku Sdn Bhd v. Superace (M) Sdn Bhd*,

Leo Pharmaceutical Products v. Kotra Pharma (M) Sdn Bhd, and *Consitex SA v. TCL Marketing Sdn Bhd* [2008] 8 CLJ 444 HC, and summarised these factors to be:

(a) Whether there was a confusing similarity between the two products after comparing them phonetically and visually;

(b) Whether the get-up of the products was different;

(c) Whether the words have a meaning which members of the public can understand and remember easily or are coined or made up words which are not ordinarily or frequently used by members of the public thereby making it difficult to recollect the name;

(d) Whether the goods or services are in direct competition with each other as in that event even a small degree of similarity is sufficient to establish the likelihood of confusion; and

(e) The type of consumers who normally buy the product since the elderly are generally known to be less attentive to specific details and posses a reduced capacity in memorizing such specific details thereby resulting in a tendency for them to focus on pre-eminent words or features.

[16] On the second issue of passing-off, the learned judge relying on the case of *Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co Ltd & Ors* [2004] 3 CLJ 815 CA, opined that the criteria for such an action to be:

(a) need for the respondents to establish goodwill and reputation in the trademark or get-up;

(b) there must be misrepresentation by the appellants; and

(c) the respondents has suffered or is likely to suffer damage to its goodwill and reputation.

His Lordship then observed that the respondents have been doing business for about 20 years in Malaysia and throughout this period had promoted their product extensively through pamphlets, brochures forums and events. The respondents had also obtained study reports, papers and articles on the effectiveness of their product as part of their marketing strategy.

The reputation of the respondents and their product was such that it had received mention in prestigious magazines such as the lancet and other reputable medical journals.

[17] On the issue of misrepresentation, His Lordship opined that the burden on the respondent was discharged so long as the respondents was able to prove likelihood of confusion and there was no need to prove actual confusion. His Lordship also opined that it would be sufficient if the misrepresentation was intended to indicate an association between the businesses of the appellants and the respondents. Based on His Lordship's earlier findings about the aural and visual similarities between the two products, His Lordship held misrepresentation to have been established by the respondents. His Lordship's other finding was that by referring to the article by Prof. Reqinster and the studies by Dr. Rovati when promoting the Artril 250 when to the knowledge of the appellants these articles were in relation to the Viartril-S, the appellants were clearly trying to pass-off the Artril 250 as being a product of or at the least that it has an association with Viartril-S. Another factor which weighed in the mind of the judge was the knowledge of the first and second appellants that the respondents were marketing their product under the trade name of 'Arthyl" in Finland and Poland. His Lordship made a finding of fact that the 1st and 2nd appellants with knowledge of this fact have cleverly, surreptitiously and dishonestly abbreviated the mark Viartril-S to Artril 250.

[18] On the question of damages, His Lordship relying on the decision of *Seet Chuan Seng & Anor v. Tee Yih Jia Food Manufacturing Pte Ltd* [1994] 3 CLJ 7 SC, opined that where goods are in direct competition, as in this case, the court will readily infer a likelihood of damage. The rationale being that the very existence of the appellants' competing product immediately served to deny the respondents the exclusive right to market their product. This loss of exclusivity had an impact on the respondents' profits through loss of market share for their comparable product. His Lordship also accepted the evidence of the respondents that they had incurred expenses through additional advertising and employment of staff to mitigate the presence of the appellants' product in the market.

[19] His Lordship also held the 1st and 2nd appellants to have used confidential information of the respondents and of having acted in breach of confidence of their express and or implied duties having regard to the very high positions that they both held in the respondent companies and the access which they enjoyed to the confidential information of the respondents.

Decision Of The Court

The Respondents' Claim For Infringement

[20] The law regulating the infringement of a trademark is enacted in s. 38(1) of the TM Act which reads:

(1) A registered trademark is infringed by a person who, not being the registered proprietor of the trademark or registered user of the trademark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken either:

(a) As being use as a trademark;

(b) In a case in which the use is use upon the goods or in physical relation thereto or in an advertising circular, or other advertisement, issued to the public, as importing a reference to a person having the right either as registered proprietor or as registered user to use the trademark or to goods with which the person is connected in the course of trade; or

(c) In a case in which the use is use at or near the place where the services are available or performed or in an advertising circular or other advertisement issued to the public, as importing a reference to a person having aright either as registered proprietor or as registered user to use the trademark or to services with the provision of which the person is connected in the course of trade.

[21] Low Hop Bing J (now JCA) in *Leo Pharmaceutical Products v. Kotra Pharma (M) Sdn Bhd* opined that in order to prove infringement, it is incumbent upon the plaintiff to prove that:

(a) The defendant is neither the registered proprietor nor the registered user of the trademark;

(b) The defendant used a mark identical with or so nearly resembling the plaintiff's registered trademark as is likely to deceive or cause confusion;

(c) The defendant was using the offending mark in the course of trade;

(d) The defendant was using the offending mark in relation to goods or service within the scope of the registration; and

(e) The defendant used the offending mark in such a manner as to render use likely to be taken either as being used as a trademark or as importing a reference to the registered proprietor or the registered user or to their goods or services.

[22] On the facts of this case, it is not in dispute that the 3rd appellant is the registered owner of the Artril 250 trademark which was registered under the TM Act 1976 on 10 September 2002. The trademark of the appellants and the 3rd respondent were both registered under Class 5. The respondent in the court below was seeking to remove/expunge the appellants' trademark based on s. 45(1) of the TM Act. The respondents do not dispute that the appellants are the owners of the trademark Artril 250 but seek to have this registration set aside primarily under s. 19 of the TM Act. More particularly under s. 19(1)(b) which precludes the registration of any trademark 'that so nearly resembles such a trademark as is likely to deceive or cause confusion'. The learned trial judge made the finding of infringement primarily because His Lordship was satisfied that there was confusing similarity between the Viartril-S mark and the Artril 250 mark after comparing them phonetically and visually. His Lordship acknowledged that the suffix '250' is significantly smaller and not very noticeable when compared to the Viartril-S mark. Nevertheless His Lordship's finding was that the mere addition of prefixes or suffixes to a mark does not prevent infringement.

[23] Section 19(1) of the TM Act was considered by Justice Ramly Ali J (now JCA) in the case of *Yong Sze Fan & Anor v. Sharifah Mohd Tamin & Ors* [2008] 8 CLJ 613 HC. His Lordship opined that there are two limbs to this section. Firstly, the mark

that is being challenged must not be identical or nearly resembling another mark on the register. Secondly, both marks must be in relation to the same goods or description of goods. As is evident from the contents of para. 22 above, the finding of the learned trial judge was that the Artril 250 trademark nearly resembles the Viartril-S trademark and is in relation to the same goods so as to cause confusion resulting in his lordship ordering the Artril 250 trademark to be expunged.

[24] In our judgment, before a court of law proceeds to expunge an existing trademark, the court must be conscious of several factors. The first is that the burden of demonstrating that the registration was wrongly entered falls on the applicant, in this case, the respondents. Secondly, the court must be conscious that even assuming the respondents succeeds in proving that there is a basis for the court to expunge the trademark, this does not necessarily imply that the court would order expungement. The court always retains the discretion as to whether the mark should be expunged and in the *Phantom Trade Mark* [1978] RPC 245, Goff LJ had this to say at p. 251 concerning how the discretion should be exercised:

> If I had reached a different conclusion and had come to the view that the entries were initially wrong and ought not to have been made, nevertheless it is clear that the court has a discretion on an application for rectification, and even where the initial entry was contrary to an express prohibition in the statute, the court, once it has been made, may, having regard to all the circumstances, permit it to remain. In the present case I would have thought that reasons advanced by Colt for exercising that discretion in favour of allowing the entry to stand, are such that if it were necessary we ought so to exercise our discretion. He relied first upon the good faith of Colt; their genuine interest in the mark; that the use of the mark has continued to this day; that the parties have to rely on the practice of the registrar, which cold did; that there was no evidence that there was anybody deceived or likely so to be; that it was not in the public interest to rectify the register; and that Chrysler had now completely lost interest in the whole matter. For these reasons had I reached the conclusion that the entry was bad, for my part I would, in the exercise of discretion allow it to stand.
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> This decision was followed by our courts in the case of *Tiga Gajah Cho Heng Sdn Bhd v. Majuperak Tepung Beras Sdn Bhd* [1997] 2 AMR 1777)

[25] Applying the principles of law governing the exercise of the court's discretion pronounced by LJ Goff, in our opinion, the order of expungement ought not to have been made by the learned trial judge without the benefit of the evidence of the registrar of trademark. We opine to this effect because the Artril 250 was clearly registrable as a trademark under s. 10 of the TM Act subject to the registrar entertaining opposition to the registration pursuant to the provisions of the s. 28 of the TM Act. Secondly, the TM Act does not prohibit the registration of two or more trademarks which are identical or so nearly resembling each other as are likely to deceive or cause of confusion notwithstanding that the applications are in respect of the same goods (see s. 19(3) of the TM Act). Thirdly, one of the acts defined to not constitute an infringement is:

> The use of the trademark which is one or two or more registered trademark which are substantially identical, in exercise of the right to the use of that trademark given by registration as provided by this Act.
>
> (see s. 40(1)(f) of the TM Act).

Admittedly, this court in *Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co. Ltd & Ors* opined that s. 40(1)(f) of the TM Act does not afford a defence in relation to marks which were wrongly entered on the register in the first place (see p. 829 of the reported judgment of the court). With respect, we are unable to agree with this dicta in the judgment of the court in *Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co. Ltd & Ors*. In our judgment, having regard to the opening words 'notwithstanding anything contained in this act' in s. 40(1) of the TM Act, whether s. 40(1)(f) of the TM Act affords a defence must necessarily include consideration by the court of the evidence of the registrar of trademarks for having registered the Artril 250 trademark in the first place.

[26] Fourthly, when confronted with the application of the applicant to register the Artril 250 trademark, it was open to the registrar to refuse registration "until their rights have been determined by the court or have been settled by agreement in a manner approved by him or by the court" (see s. 19(3) of the TM Act). The fact of the matter is that the registrar proceeded to register the Artril 250 trademark without referring the matter to

the court. Such registration in turn affords *prima facie* evidence of the validity of the Artril 250 trademark and of all subsequent assignments and transmissions thereof under s. 36 of the TM Act.

[27] Fifthly, it must be borne in mind that the effect of the Artril 250 trademark being registered under Class 5 is that it enables the appellants to manufacture and market any product which falls under Class 5 such as veterinary and sanitary preparations etc. ie, products which bear no resemblance to the Viartril-S produced and manufactured by the respondents. Accordingly, to expunge the Artril 250 trademark would tantamount to precluding the appellants from producing and manufacturing products which fall within Class 5 notwithstanding that the products bear no resemblance to the Viartril-S trademark.

[28] In our judgment, in the light of the discretion vested in the court to refuse expungement even in the face of the earlier registered trademark being identical or some nearly resembling each other as to cause confusion, a court of law should not order expungement without the registrar being heard as to why registration was ordered notwithstanding the likelihood of confusion and the general practice of the registrar on such matters. It must be borne in mind that the 1st respondent's trademark has been in existence since 1976 and in the interim other manufacturers and distributors have been distributing generic products similar to Viartril-S in the Malaysian market without any attempt by the 1st respondent to restrain them. This scenario causes us to believe that there may very well have been public interest factors which could have caused the registrar to register the Artril 250 as a trademark. In this respect, it is significant that the appellant's application to register the Artril 250 as a trademark was filed after the filing of this action and, yet, the respondent took no steps under s. 28 of the TM Act to oppose this registration.

[29] We are conscious that this court in *Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co. Ltd & Ors* expressed the view that the registrar of trademark is not a necessary party in proceedings to expunge a registered trademark pursuant to s. 45 of the TM Act. His Lordship Nik Hashim JCA (as he then was) opined that the inclusion of the registrar was unnecessary because rectification under the Act is not a cause of action but a relief.

With respect, in our judgment, having regard to the scheme of the Trade Marks Act and the discretion vested in the court, it appears to us that the learned trial judge ought not to have exercised His Lordship's discretion and set aside the earlier trademark registration of the Artril 250 without requiring the registrar of trademarks to be made a party or at the least, summon him to give evidence pursuant to s. 62(1) of the TM Act. This is particularly so where the earlier trademark has been in existence for over 20 years and distribution of generic goods of the earlier registered trademark are widely available in the market place, as is the case here.

[30] In our judgment, s. 62 of the TM Act fortifies our conclusion that the learned trial judge ought to have received the evidence of the registrar of trademark before exercising His Lordship's discretion to order the expungement of the Artril 250 trademark. This section which was not considered by this court in the *Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co. Ltd & Ors* provides as follows:

(i) In any legal proceedings in which the relief sought includes alteration or rectification of the register, the registrar shall have the right to appear and be heard, and shall appear I so directed by the court.

(ii) Unless otherwise directed by the court, the registrar, *in lieu* of appearing and being heard, may submit to the court a statement in writing signed by him, giving particulars of the proceedings before him in relation of the matter in issue or of the grounds of any decision given by him affecting the same or of the practice of the office in like cases, or of such other matters relevant to the issues, and within his knowledge as registrar, as he thinks fit, and such statement shall be deemed to form part of the evidence in the proceedings.

[31] With respect, the learned trial judge appears to have proceeded on the premise that once infringement is proved, then, expungement of the subsequently registered trademark must necessarily follow as the matter of course. This is evident from the following passage in the judgment of the learned trial judge "the court is mindful of the exercise of its discretionary power in this case. Having said that, the court is satisfied for the reasons discussed above, that the entry is wrongfully made/remaining on

the register". We opine to this effect because the only reason provided in the judgment of the court was that the subsequently registered Artril 250 trademark ought not to have been registered in the first place. In other words, the principles of law governing the exercise of the court's discretion pronounced by Goff LJ were not considered. Accordingly, since s. 62 of the TM Act was neither raised nor considered by the learned trial judge nor proper reasons provided for the exercise of the court's discretion, we are constrained to set aside that part of the orders of the learned trial judge ordering the expungement of the Artril 250 trademark and the rectification of the register to remove the Artril 250 trademark. We hereby set aside orders (k), (l) and (m) from the order the High Court of 18 February 2011.

Passing-Off

[32] In *Reckitt & Colman Products v. Borden Inc* [1990] 1 All ER 873, the House of Lords held that in order to establish an action for passing-off, the plaintiff must prove the following;

(a) That he has sufficient reputation or goodwill in the mark, trademark, get-up or other indicia in question under which his particular goods or services or offered to the public;

(b) He must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to belief that goods or services offered by him are the goods services of the plaintiff; and

(c) He must demonstrate that he suffers or had suffered or is likely to suffer damage or injury to his business or goodwill by reason of the erroneous belief and engendered by the defendant's misrepresentation that the source of the defendant's good or services is the same of the source offered by the plaintiff. (see p. 880 of the reported judgment of the court)

[33] On the particular facts of this case, as regards goodwill and reputation, the learned trial judge in paras. 8.13.1, 8.13.2 and 8.13.3 of His Lordship's judgment succinctly captured the goodwill and reputation enjoyed by the respondents and we concur entirely with the views of the learned judge. We do not propose to repeat them in this judgment. In para. 8.14 of His Lordship's judgment,

His Lordship, in our judgment, correctly identified misrepresentation to have been proved if the misrepresentation on the part of the appellant results in the business of the appellant and the respondent being identified together. His Lordship made findings of facts that the 3rd appellant in promoting Artril 250 had made reference to the article of Professor Reqinster and the studies of Doctor Rovati when these articles and the studies were with reference to the respondent's Viartril-S product. With respect, we agree with the learned trial judge that the promotion of the Artril 250 by this method clearly amounted to the 3rd appellant trying to pass off Artril 250 by association with the respondent's Viartril-S. This misrepresentation coupled with the naming by the appellant of its product as Artril 250 with full knowledge that the respondents' market Viartril-S by the name of 'Arthryl' in Finland means that the respondents have fulfilled the second element set out in the judgment of Lord Oliver of Aylmarton in *Reckitt & Colman Products v. Borden Inc (supra)*. As regards damages, we agree with the learned trial judge that where goods are in direct competition, as in this case, the court will readily infer the likelihood of damage. Furthermore, the loss of exclusivity has also been recognized by our courts as amounting to a form of damage as the appellants stands to derive an unfair advantage over the respondents. The proof of damages on the facts of this case is also demonstrated by the court's acceptance of the evidence led on behalf of the respondents that they were constrained to indulge in aggressive marketing to counter the negative effects of the misrepresentation by the defendant thereby causing them to incur additional expenses (see para. 8.15.2 of the judgment of the court).

The Position Of The 4th Appellant

[34] The thrust of the submission of counsel for the 4th appellant was that following the learned trial judge's dismissal of the claim against Hovid, the claim against the 4th appellant ought logically to have been also dismissed. The reasoning being that the position of the 4th appellant was similar to that of Hovid, in that they were both distributors of the Artril 250 pursuant to their appointment by the 3rd appellant. With respect, there is no merit in this submission because the only reason why the learned trial judge dismissed the claim against Hovid was because they had ceased to be the distributors of Artril 250 by the time of the filing

of the writ against them (see para. 40 of the amended statement of defence of Hovid, a plea that was accepted by the learned trial judge).

Conclusion

[35] We affirm the orders made by the learned trial judge on 18 February 2011 save and except to set aside the orders contained in paras. (k), (l) and (m) of the same. Accordingly, we allow this appeal in part and order the 1st, 2nd, 3rd and 6th appellants to pay costs of RM20,000 to the respondents. We order the 4th appellant to pay costs of RM10,000 to the respondents. Both deposits to be paid to the respondents towards account of the costs ordered herein.